

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

March 28, 2008

Board of Land and Natural Resources  
PSF No.: 05OD-261  
State of Hawaii  
Honolulu, Hawaii

OAHU

Issuance of Direct Lease to Coalition for Specialized  
Housing for Low-Income Rental Housing and Related Purposes,  
Waimano, Oahu, Tax Map Key: (1) 9-7-19:35

APPLICANT:

Coalition for Specialized Housing, a Hawaii non-profit  
corporation, whose business and mailing address is 2349C Palolo  
Avenue, Honolulu, Hawaii 96816.

LEGAL REFERENCE:

Section 171-43.1, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Manana and Waimano, Ewa,  
Oahu, identified by Tax Map Key: (1) 9-7-19:35, as shown on the  
attached map labeled Exhibit A.

AREA:

4.703 acres, more or less.

ZONING:

State Land Use District: Urban  
City & County of Honolulu CZO: P-2 General  
preservation district

TRUST LAND STATUS:

Section 5(a) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State  
Constitution: YES \_\_\_\_ NO x

CURRENT USE STATUS:

Vacant and unencumbered

CHARACTER OF USE:

Low-income rental housing and related purposes.

LEASE TERM:

Sixty-five (65) years.

COMMENCEMENT DATE:

The first day of the month to be determined by the Chairperson.

ANNUAL RENT:

\$480.00 per annum

METHOD OF PAYMENT:

Semi-annual payments, in advance.

RENTAL REOPENINGS:

At the end of the tenth (10<sup>th</sup>), twentieth (20<sup>th</sup>), thirtieth (30<sup>th</sup>), fortieth (40<sup>th</sup>), fiftieth (50<sup>th</sup>), and sixtieth (60<sup>th</sup>) years of the lease term, by staff or independent appraisal.

PERFORMANCE BOND:

Twice the annual rental amount.

PROPERTY CHARACTERISTICS:

Utilities -all utilities are available

Slope -gentle by Kamehameha Highway entrance; otherwise level

Legal access to property - Staff has verified that there is legal access to the property off of Kamehameha Highway.

Subdivision - Staff has verified that the subject property is a legally subdivided lot.

Encumbrances - Staff has verified that the following encumbrances exist on the property: Hawaiian Electric Company for electric transmission poles and lines; Richard Sunada (LOD 27809) sewer easement; and Glenn Young (LOD 27516) access and utility easement.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Assessment for the subject project was published in the OEQC's Environmental Notice on January 8, 2008 with a finding of no significant impact (FONSI).

DCCA VERIFICATION:

Place of business registration confirmed: YES  
Registered business name confirmed: YES  
Applicant in good standing confirmed: YES

APPLICANT REQUIREMENTS:

Applicant shall be required to:

- 1) Provide survey maps and descriptions according to State DAGS standards and at Applicant's own cost.

BACKGROUND:

The subject property is currently vacant and unencumbered. The subject property was previously encumbered by General Lease No. S-4948 to the Pearl City Youth Complex Association effective February 1, 1985 for youth athletic and recreation purposes. The Land Board on May 13, 2005, under agenda item D-20, mutually agreed to cancel the lease due to the organizations changing leadership, lack of committed volunteers, and lack of financial funding.

The Land Board at its meeting of January 13, 2006, under agenda item D-15, approved in principle the direct lease to Coalition for Specialized Housing, subject to Coalition for Specialized Housing satisfactory compliance with Chapter 343, Hawaii Revised Statutes within 12 months. The Board further authorized Coalition for Specialized Housing to act as agent of the landowner, State of Hawaii to process the zoning change and exemptions of the subject State property.

The Land Board at its meeting of January 26, 2007, under agenda item D-4, approved an extension to July 13, 2007. Subsequently, the Land Board at its meeting of July 27, 2007, under agenda item D-7, approved an extension to December 31, 2007. The extensions were necessary for Coalition for Specialized Housing and its consultants to complete the environmental assessment for the subject State property.

ANALYSIS:

There is a need for affordable rental units in the State. The skyrocketing real estate market has eliminated rental units in

the affordable range. This proposal fulfills an important housing need for the community.

The proposed project would consist of 4 multi-family buildings, a multi-purpose building, open space recreational areas and approximately 282 at grade parking stalls. Each of the 4 apartment buildings are planned to be 7 stories high, provide approximately 83 dwelling units each or a total of 332 units. Of the 4 multi-family buildings, 2 will be for the elderly, with the other 2 buildings being provided for families. The rental units will be made available to seniors and families earning up to about 60% of the area median income. In addition to the affordable rental units, a 2-story multi-purpose building is planned for Head Start or other programs.

The project will be developed in phases as financing becomes available. Construction of the first buildings for seniors will commence as soon as all development permits are received.

In the elderly affordable multi-family buildings, the units will be one-bedrooms with approximately 400 square feet of floor area. There will be a total of four handicap accessible units in each building. On the Ground Floor, besides the resident managers unit, there will be a laundry room, mail room, multi-purpose room, manager's office, case workers office and janitor's closet.

In the family multi-family buildings, the units will be two and three bedrooms with floor area from approximately 591 square feet to 751 square feet. There will be a total of four handicap accessible units in each building. On the Ground Floor, will be the mechanical and electrical rooms in addition to a lobby/mailroom, manager's office and storage room.

Applicant has provided evidence of 501(c)(3) status, therefore qualifies for a direct lease.

Staff has requested information on the Applicant's operations, services, program measurements, budget and funding. (Exhibit B)

The Applicant has a State lease (General Lease No. S-5223) and is in compliance with all lease terms and conditions.

Applicant has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

#### DISCUSSION:

As background, the Board of Land and Natural Resources (Board) typically issues leases to private individuals and entities via

public auction. The new rent at reopening is established at fair market rental value by an appraisal. If the tenant or prospective tenant is an eleemosynary (charitable) organization, the Board may issue the lease, at a nominal rent, by direct negotiation. The statute providing the Board this authority is as follows:

**§171-43.1 Lease to eleemosynary organizations.** The board may lease, at a nominal consideration, by direct negotiation and without recourse to public auction, public lands to an eleemosynary organization which has been certified to be tax exempt under sections 501(c)(1) or 501(c)(3) of the Internal Revenue Code of 1986, as amended. The lands shall be used by such eleemosynary organizations for the purposes for which their charter was issued and for which they were certified by the Internal Revenue Service. [L 1970, c 83, §5; am L 1971, c 100, §1; am L 1982, c 202, §1; am L 1991, c 212, §3]

It is noted that the 501(c)(1) organization must be both organized by an Act of Congress and be an instrumentality of the United States, while the 501(c)(3) organization is a privately organized charitable organization.

Therefore, when considering lease dispositions to eleemosynary (charitable) organizations or religious organizations, the Board may issue the lease by public auction at fair market rent, or by direct negotiation at an amount below fair market rental (i.e., nominal rent). On May 13, 2005, the Land Board established a Minimum Rent Policy that stated, among other things, that the Minimum Rent for Lease be no less than \$480 per year. Land Division generally issues Leases at fair market rental value as determined by an appraiser or via public auction. Staff believes "nominal rent" under Section 171-43, Hawaii Revised Statutes ought to be anywhere between fair market rent, or lower, but not lower than the minimum rent of \$480 per year.

There should be a reasonable and fair annual rent for all Land Division non-profit tenants. Therefore, staff is recommending the new annual rent be \$480.

RECOMMENDATION: That the Board:

1. Subject to the Applicant fulfilling all of the Applicant requirements listed above, authorize the issuance of a direct lease to Coalition for Specialized Housing covering the subject area under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:

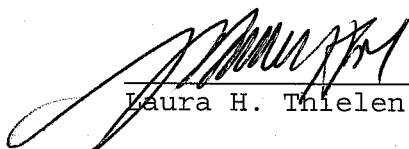
- A. The standard terms and conditions of the most current non-profit lease document form, as may be amended from time to time;
- B. Review and approval by the Department of the Attorney General; and
- C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

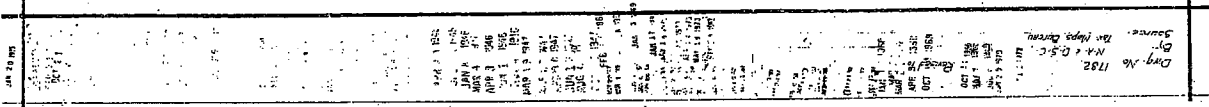


Charlene E. Unoki  
Assistant Administrator

APPROVED FOR SUBMITTAL:

  
\_\_\_\_\_  
Laura H. Thielen, Chairperson

Subject Area



Per of WAIMANG, LINA, GANLI

**PRINTED**

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**APPLICATION AND QUALIFICATION QUESTIONNAIRE**

(Non-Profit)

RECEIVED  
LAND DIVISION

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DEPT. OF LAND &  
NATURAL RESOURCES  
STATE OF HAWAII

Write answers in the spaces provided. Attach additional sheets as necessary, clearly indicating the applicable section number.

**Part I: General Information**

1. Applicant's legal name: Coalition for Specialized Housing
2. Applicant's full mailing address:  
2349C Palolo Ave, Honolulu, Hawaii 96816
3. Name of contact person: Wallace Inglis, President  
Contact person Phone No.: 734-2313 (H); 586-6571 (O) Fax No.: 586-8464
4. Applicant is interested in the following parcel:  
Tax Map Key No.: (1) 9-7-19:35 Location: portion of government lands situated at Manana and Waimano

If Applicant is current lessee: General Lease No.: Applicant leases adjoining property (General Lease No. S-5223)

5. When was Applicant incorporated? January 9, 1989
6. Attach the following:
  - A. Articles of Incorporation
  - B. Bylaws
  - C. List of the non-profit agency's Board of Directors
  - D. IRS 501(c)(3) or (c)(1) status determination
  - E. Tax clearances from State of Hawaii and respective county Real Property Tax Office.
  - F. Audited financial statements for the last three years. If not audited, explain why.  
If Applicant is a new start-up, attach projected capital and operating budgets.
  - G. Any program material which describes eligibility requirements or other requirements to receive services

**Part II: Qualification**

7. Is Applicant registered to do business in Hawaii: Yes x No
8. Has Applicant received tax exempt status from the Internal Revenue Service? Yes x No
9. Is Applicant licensed or accredited in accordance with federal, State or county statutes, rules, ordinances, to conduct the proposed activities? Yes No x

List all such licenses and accreditations required:

NA

10. Is Applicant in default or otherwise not in good standing with any State department (e.g. POS agency, DCCA, DLNR, etc.)? Yes No x

11. Has Applicant had a State of Hawaii lease, permit, license, easement or sale in fee cancelled within the last five years? If yes, list: Yes No x

Doc. No.      Type of Agreement      Term of Agreement

12. Does Applicant have any policies which discriminate against anyone on the basis of race, creed, color, national origin, sex or physical handicap? Yes No x

If yes, explain:

13. Has Applicant received funding from a federal, State, or county government agency, the Aloha United Way, and/or a major private foundation within the last three years? Please list all such contracts below: Yes X No

Agency      Contract Term      Contract Amount

State Dept. of Health      2004-2005      \$ 24,000

Grant made under Healthy Hawaii Initiative to provide exercise classes, nutrition program, and other health related activities for residents of Hale Mohalu Senior Apartments, Pearl City

Frear Eleemosynary Trust      2005      \$ 25,000

McInerney Foundation      2005      \$ 20,000

Both grants, totaling \$45,000 were donated as partial payment toward purchase of a 2005 wheelchair accessible bus (cost = \$67,000) for residents of Hale Mohalu Senior Apartments

14. If Applicant has not received funding from a federal, State or county government agency, the Aloha United Way and/or a major private foundation during the past three years, describe Applicant's qualifications to effectively perform the proposed services, including but not limited to, grants or subsidies received from non-major, private fundors and/or staff or Board members who possess significant experience in Applicant's service field.

Applicant has formed a project team for the proposed development that has considerable and current experience in the planning, financing, construction, and management of low-income rental housing. Since 1999, the project team has completed, or is currently developing, eight affordable housing family and senior rental projects in Honolulu, comprising over 500 units. Funding for the projects has come from various sources—e.g., State HCDCH low-income federal and state tax credits, Rental Housing Trust Fund loans, city HOME and CDBG grants, Seattle Federal Home Loan Board grants, etc. Two low-income rental projects currently are under construction by the project team have monies from all of these sources.

**EXHIBIT "B"**

### Part III: Program Activities and Persons to be Served

15. What activities will be conducted on the premises to be leased?

Initially, activities will involve the construction of housing for low-income rental housing. After completion of construction, management of the units will occur. The intent is also to provide supervised activities of a social and educational nature (comparable to those presently offered at the Hale Mohalu complex) as required.

16. What are the specific objectives of these activities?

A major objective is to provide decent and affordable housing for people who would not otherwise have this opportunity. In addition, for seniors, Hale Mohalu programs (as described in #15 above) and case management resources providing counseling, assistance in obtaining transportation, light housekeeping, financial assistance, etc, will promote the "aging in place" concept to allow them to remain in the building as long as possible and with dignity.

17. Describe the community need for and the public benefit derived from these activities.

Hawaii's skyrocketing real estate market has essentially eliminated affordable rental units for a sizable number of our people. Numerous studies have demonstrated the need for more affordable housing in communities throughout the state. It is a top priority of the current state administration to promote and facilitate the construction of more affordable housing. This is further evidenced by the state HCDCH Director's letter supporting the direct leasing of the property to the Coalition for Specialized Housing. The need for affordable housing is dire and immediate.

18. Describe the targeted population for these activities by: 1) age group, 2) gender, 3) ethnic background, 4) income level, 5) geographic location of residence, 6) special needs/disability, and 7) other applicable characteristic(s).

As with the Coalition for Specialized Housing's Hale Mohalu Senior Apartments, the proposed project on the adjacent land will have low-income rentals for seniors 62-years of age and older. Also under consideration is the expansion of this target group to include low-income families and persons with special needs. The desired income target market is 60% AMI (Area Median Income) and lower; this will depend on financing availability, project and construction costs, etc. The project will be non-discriminatory with respect to gender, ethnicity, etc.

**EXHIBIT "B"**

19. Describe all eligibility requirements of clients to participate in the activities, e.g. age, income level, ethnic background, income level, disability, etc.  
At this preliminary planning stage, it is premature to describe such requirements—other than age and income (see #18).

20. Do you require membership to participate in these activities? Yes No X  
If yes, list the requirements of becoming and remaining a member:

21. How many unduplicated persons will engage in the activities annually?

Activity

Persons Per Year

Unable to calculate or predict this number at this stage in our project's development.

22. Is State funding made available for the activities to be conducted on the leased premises? Yes x No

If yes, by which State agency: Department of Health has provided funds in the past for similar activities (see #13). Also, HCDCH provides Rental Housing Trust Funds and state Low-Income Housing Tax Credits.

23. List all activities to be conducted on the leased premises which require payment of excise taxes, e.g. subleasing, sale of products or services. Include an estimate of annual gross revenues from each activity.  
No such activities are projected.

#### Development of the Land

24. Describe the proposed site development plan for the property, indicating the location and size of buildings, parking areas, landscaped areas and related uses. Attach sketch of plan if available.  
Conceptually, and subject to change upon further design, engineering, coordination with Neighborhood Board, city and state agencies, City Council, available financing, etc., a possible plan would be for three buildings master-planned on the property. Two of the three could be for families and the third for seniors. Each family rental building could have 83 two- and three-bedroom units and a resident manager's unit. The senior rental building could have 80 one-bedroom units and a resident manger's unit. There would be parking conveniently located for each building. The family buildings would have a minimum of 1:1 tenant, plus 10% guest parking. The senior building would have a minimum of 1:4 (one stall per four lunits) tenant, plus 10% guest parking (based on experience with other completed senior affordable rental projects). A professional landscape architect will be part of the project team to enhance the appearance and privacy of the project. (Attached is the conceptual site plan for the property.)

**EXHIBIT "B"**

25. What improvements to the land do you intend to make and at what cost?

The improvements to the land will be those that are required to develop the proposed low-income project, and the various reviewing governmental agencies. Besides what has been described in #24 above, ingress-egress via Kamehameha Highway, drainage, sewer, water, security fencing and lighting, etc. are other improvements that will be considered. Based on ongoing development of similar projects, pro forma planning and construction estimates for each family rental project is approximately \$22 million. For the senior development, the pro forma planning and construction cost estimate is approximately \$17 million.

26. How will the improvements be funded?

Proposed pro forma funding will be from federal and state low-income housing tax credits, state Rental Housing Trust Fund, equity, Central Pacific Bank, and Housing and Community Reinvestment Corporation (HCRC). Additionally, we intend to seek financing from the city for HOME and CDBG grants to reduce the amounts of tax credits and trust funds needed. Also, we will attempt to work with private land developers and the city, to qualify the proposed project's low-income units as housing credits, for in-lieu cash from the land developers who have requirements with the city for development of low-income housing.

27. Describe all environmental, land use and other permitting requirements which must be met to develop the land as proposed.

Environmental Site Assessment-Phase 1, Environmental Assessment, FONSI, Chapter 201G, HRS, Foundation Permit and Building Permit.

28. Will you be subleasing any portion of the property? If yes, describe the sublease uses:

No

#### Part V: Notarized Certification

I/We hereby certify that the statements and information contained in this Application and Questionnaire, including all attachments, are true and accurate to the best of my/our knowledge and understand that if any statements are shown to be false or misrepresented, I/we may be disqualified from receiving a lease or my/our lease may be canceled.

Coalition for Specialized Housing  
Applicant Name

Applicant Name

By: Wallace J. Ingles

By: \_\_\_\_\_

Its: PRESIDENT

Its: \_\_\_\_\_

Date: 1/6/06

**EXHIBIT "B"**

Subscribed and sworn to before me this  
6 day of January, 2006

Charlotte Yashiki Kam

Notary Public CHARLOTTE YASHIKI KAM

County of: Honolulu

State of: Hawaii

My commission expires: FEB 23 2007

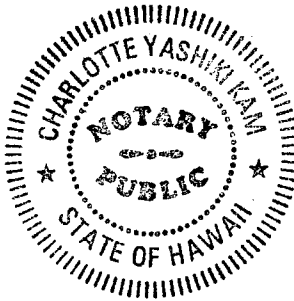


EXHIBIT "B"